



September 15, 2006

Nursing home operators are sentenced for equity skimming

A federal judge today sentenced **Antonio L. Giordano** to 30 months in prison and **John Montecalvo** to 24 months for skimming equity from three federally backed nursing homes. In June, Giordano and Montecalvo admitted that they caused about \$780,000 in unreasonable and unnecessary payments when the nursing homes were operating in a “nonsurplus cash” position.

The Office of the United States Attorney announced the sentences, which U.S. District Court Judge Mary M. Lisi imposed in U.S. District Court, Providence. Judge Lisi also fined Giordano \$100,000 and ordered both defendants to make restitution totaling \$780,539.

"Diverting funds in this manner seriously undermines HUD's efforts to provide adequate nursing home facilities to those who are seriously in need." said Michael Stephens, Deputy Inspector General for the Department Housing and Urban Development. "HUD's Office of Investigations was pleased to join the U.S. Attorney's Office in undertaking this investigation and prosecution for the benefit of the citizens of Rhode Island and of HUD-funded nursing homes."

At the plea hearing in June, Assistant U.S. Attorney Andrew J. Reich said that the government could prove that Giordano, who owned the three nursing homes, and Montecalvo, who maintained financial control over them for Giordano, caused payments totaling \$780,539 to be made to My Place, Inc., which a member of Giordano's family owns.

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My Place, Inc. provided a limited number of services to nursing home employees, none of which were reasonable or necessary to the operation of the nursing homes. It organized holiday parties for staff and families, conducted raffles, provided arts and crafts and occasionally gave gifts of nominal value to employees along with their pay checks. Nursing home administrators and others sometimes complained to Montecalvo and Giordano about the uselessness of payments to My Place but the defendants insisted that the payments be made.

While those payments were being made, the nursing homes, Mount Saint Francis Health Center, Coventry Health Continuum, and Hillside Health Center, operating without enough cash to satisfy their financial obligations. It is illegal to make unnecessary or unreasonable payments when in default of HUD-backed mortgages or when operating in a “non surplus cash” position.

Judge Lisi ordered Giordano and Montecalvo to make restitution as follows: \$267,041 to the receiver of Coventry Health Continuum, Inc., \$130,798 to the receiver of Hillside health Center LLC, and \$382,700 to the Internal Revenue Service to cover taxes owed by Mount St. Francis Associates LP.

The resolution of the criminal charges has no bearing on the ability of the government to pursue additional administrative or civil actions against the defendants and any of the entities connected to nursing homes that they operated.

The HUD Office of Inspector General (OIG) and HUD auditors conducted the investigation, with assistance from the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation.

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